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| In the Matter of |) | No. G01-26 |
| |) | |
| The Financial Examination of |) | FINDINGS, CONCLUSIONS, |
| INVESTORS LIFE INSURANCE |) | AND ORDER ADOPTING REPORT |
| COMPANY OF NORTH AMERICA |) | OF |
| | | FINANCIAL EXAMINATION |
| A Domestic Insurer. _____ | | |

BACKGROUND

An examination of the financial condition of **INVESTORS LIFE INSURANCE COMPANY OF NORTH AMERICA** (the Company) as of December 31, 1998, was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on May 9, 2001. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 2 through 26 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **INVESTORS LIFE INSURANCE COMPANY OF NORTH AMERICA** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions prior to the date of this order. The Instructions in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, this being the Instructions contained in the examination report on pages 2 through 4.

1. The Company is ordered to amend the custodial agreement to include standard language required by the NAIC and in compliance with RCW 48.03.025. Instruction 1, Examination Report, page 2.
2. The Company is ordered to submit to the NAIC Valuation of Securities Office for SUB1 filing the common stock investments in its subsidiary, ILG Securities, Inc., in compliance with RCW 48.03.025, and Washington Administrative Code 284-07-050(2) WAC. Instruction 2, Examination Report, page 2.
3. The Company is ordered to comply with RCW 48.05.280 and RCW 48.05.250 regarding proper calculation of accrued interest as shown on Exhibit 2, Column 4 - Net Investment Income and properly reconcile applicable general ledger accounts to Exhibit 2 in annual statement. Instruction 3, Examination Report, page 2.
4. The Company is ordered to comply with RCW 48.13.170 (1) and 48.13.160(3) (d) regarding disposal of real estate properties acquired by an insurer through a lawful merger with Standard Life Insurance Company within five years if it has ceased being necessary for the use of the insurer in the transaction of its business. Instruction 4, Examination Report, page 2.

5. The Company is ordered to comply with RCW 48.13.140 (1) regarding appraisal of real estate acquired by an insurer through a lawful merger with Standard Life Insurance Company, and appraisal of real estate acquired on May 18, 1998 known as the River Place property. Instruction 5, Examination Report, page 2.
6. The Company is ordered to comply with RCW 48.13.340 which requires Board of Directors authorization of all investments or the Board of Directors to charge a committee with the duty of making investments. Instruction 6, Examination Report, page 2.
7. The Company is ordered to comply with RCW 48.13.140(1) and 48.13.350(2)(c) regarding appraisal of real estate property and also indicate the type or classification of the real estate acquired known as the Bridgepoint Five Building. Instruction 7, Examination Report, page 2.
8. The Company is ordered to comply with RCW 48.13.140(2) regarding maintenance of hazard insurance on the real estate property for either home office or investment in real estate. Instruction 8, Examination Report, page 2.
9. The Company is ordered to comply with RCW 48.31B.030(1)(a)(iv), RCW 48.05.250 and WAC 284-07-050(2) regarding the recording of and accurate annual statement disclosure of the Company's real estate transactions with affiliates. Instruction 9, Examination Report, page 2.
10. The Company is ordered to comply with RCW 48.05.280 and RCW 48.05.250 regarding the proper recording and reporting and non-admit the amount by which a policy loan exceeds the cash surrender value of the policy. Instruction 10, Examination Report, page 2.
11. The Company is ordered to comply with RCW 48.05.280 and WAC 284-07-050(2) regarding reconciliation of its bank accounts on a monthly basis; establish an escheat account and discontinue to carry a considerable number of old, outstanding checks; and to close inactive checking account. Instruction 11, Examination Report, page 2.
12. The Company is ordered to file a SAR with the NAIC SVO for the Money Market Funds so that they could be included on the Exempt Money Market listing in compliance with RCW 48.05.250, and WAC 284-07-050(2). Instruction 12, Examination Report, page 2.
13. The Company is ordered to change its method of determining the amount of federal

income tax recoverable and also amend the tax sharing agreement to include a settlement provision in compliance with RCW 48.05.280. Instruction 13, Examination Report, page 3.

14. The Company is ordered to comply with RCW 48.05.280, regarding outstanding balances in intercompany receivables that remain from mergers with other companies. This instruction was also included in the prior examination report. Instruction 14, Examination Report, page 3.
15. The Company is ordered to comply with RCW 48.31B.025(2)(c)(v) regarding receivables from the parent company and other affiliates without a signed agreement between companies for payment of expenses and reimbursement for such payments. Instruction 15, Examination Report, page 3.
16. The Company is ordered to comply with RCW 48.05.280 regarding maintenance of a comprehensive file of the procedures followed and of data sources used to prepare actuarial assets and liabilities that would facilitate future actuarial examinations, and would also assist the Company in preparing future quarterly and annual statements in compliance with RCW 48.05.250. Instruction 16, Examination Report, page 3.
17. The Company is ordered to comply with RCW 48.05.280 regarding the accurate calculation of sub-standard extra premiums and supplemental benefit riders in calculating net due and deferred premiums for traditional life insurance policies. Instruction 17, Examination Report, page 3.
18. The Company is ordered to review and modify, if necessary, the reserving methodology and procedures applicable to its universal policies in compliance with RCW 48.74.050(1) and RCW 48.74.060. Instruction 18, Examination Report, page 3.
19. The Company is ordered to review the reserve factors used to value reduced paid-up and extended term insurance policies in compliance with RCW 48.74.050 (1). Instruction 19, Examination Report, page 3.
20. The Company is ordered to comply with RCW 48.74.030(2)(b) regarding utilization of proper valuation interest rates when determining reserves on immediate annuities. Instruction 20, Examination Report, page 3.

21. The Company is ordered to review the appropriateness of the reserve treatment under its bulk ADB reinsurance agreement in compliance with RCW 48.12.160(1). Instruction 21, Examination Report, page 3.
22. The Company is ordered to review the appropriateness of its reserving procedures for disabled lives under renewable term and universal life policies in compliance with RCW 48.74.030. Instruction 22, Examination Report, page 3.
23. The Company is ordered to review the appropriateness of the reserves for non-deduction of deferred premiums for SLIC policies in compliance with RCW 48.74.030. Instruction 23, Examination Report, page 3.
24. The Company is ordered to comply with RCW 48.74.030 and institute procedures to clarify the in-force records for the Company's industrial life insurance business that will facilitate the payment of benefits to policyholders as well as the calculation of reserves. Instruction 24, Examination Report, page 3.
25. The Company is ordered to comply with RCW 48.05.280 and institute procedures to regularly reconcile the total number of units attributed to policyholders to the total number of units for each investment division within the Company's Separate Accounts, to insure that proper benefits are paid to the Company's policyholders. Instruction 25, Examination Report, page 3.
26. The Company is ordered to comply with RCW 48.05.280 and recompute the liability, "Policyholders' Dividends and Coupon Accumulations", to reflect the correct accumulated interest on policies. The Company is further ordered to report to the Chief Examiner the following information:
 - The specific cause of the error.
 - The total dollar amount of the error in the account.
 - The method used to correct the problem.
 - The correct liability as of December 31, 1998.
 - Evidence of proper carry forward of the liability to future Annual Statements.

Instruction 26, Examination Report, page 3.

27. The Company is ordered to accurately determine the detail needed to support the general ledger for "Amounts Held for Agents' Account" to comply with RCW 48.05.280. Instruction 27, Examination Report, page 4.
28. The Company is ordered to comply with RCW 48.12.010, RCW 48.05.280, and WAC 284-07-050(2) and to accurately document amounts reported in "Aggregate Write-ins for Other than Invested Assets" to ensure the proper classification of assets, to ensure the accuracy and adequacy of accounts and records for assets and to ensure that annual statements are prepared in accordance with the requirements of statutory accounting practices and procedures. Instruction 28, Examination Report, page 4.
29. The Company is ordered to comply with RCW 48.05.250 and WAC 284-07-050(2) for future filing of its Annual Statement regarding proper reporting of asset valuation reserve. Instruction 29, Examination Report, page 4.
30. The Company is ordered to comply with RCW 48.12.160 (1) in taking reserve credit for reinsurance assumed. Instruction 30, Examination Report, page 4.
31. The Company is ordered to comply with RCW 48.31B.030(1)(b)(iv) and 48.31B.025(2)(c) regarding separate catastrophe reinsurance agreement. Instruction 31, Examination Report, page 4.
32. The Company is ordered to comply with RCW 48.05.250 regarding proper listing of affiliates or subsidiaries in Schedule Y of the 1998 Annual Statement. Instruction 32, Examination Report, page 4.
33. The Company is ordered to comply with Chapter 284-95 WAC regarding proper transfer of insurance contracts. Instruction 33, Examination Report, page 4.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 28th day of June, 2001.

MIKE KREIDLER
Insurance Commissioner